

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE RELOCATION OF
DEPLOYABLE MEDICAL SYSTEMS TO
HILL AIR FORCE BASE, OGDEN, UTAH**

Report No. 96-116

May 10, 1996

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Department of Defense

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Acronyms

AFB	Air Force Base
BRAC	Base Realignment and Closure
DDOU	Defense Depot Ogden Utah
DEPMEDS	Deployable Medical Systems
DLA	Defense Logistics Agency
MILCON	Military Construction



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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Report No. 96-116

May 10, 1996

MEMORANDUM FOR COMMANDER, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit of Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah (Project No. 6CG-5001.05)

Introduction

We are providing this report for your information and use. The audit was required by Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991. Enclosure 1 provides details on the history of the Defense base realignment and closure (BRAC) process and on our auditing and reporting requirements.

This report is one in a series of reports about FY 1997 BRAC military construction (MILCON) costs. It provides the results of the audit of a \$12.6 million project for the relocation of the deployable medical systems (DEPMEDS) mission from Defense Distribution Depot Ogden, Utah (DDOU), to Hill Air Force Base (AFB), Ogden, Utah.

Audit Results

The Defense Logistics Agency (DLA) did not adequately support the BRAC requirement for the relocation of the DEPMEDS mission. DLA originally planned to use \$12.6 million in BRAC MILCON funds to repair two warehouses at Hill AFB to accommodate the DEPMEDS mission. However, planned changes could significantly change the cost and scope of the project. In March 1996, DLA initiated action to withdraw the project from its FY 1997 BRAC budget submission and plans to resubmit the project in its FY 1998 BRAC budget submission. The DLA action to withdraw the project will allow DoD to use the \$12.6 million for other BRAC projects. See Enclosure 3 for a discussion of the benefits of the audit.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. Another objective was to assess the adequacy of the management control program as it applied to

the overall audit objective. We did not assess the adequacy of the management control program as part of this audit because it will be discussed in a summary report on FY 1997 BRAC MILCON budget data.

Scope and Methodology

Scope and Methodology of This Audit. We examined the FY 1997 BRAC MILCON budget request, and documentation supporting space requirements for the project to relocate the DEPMEDS mission from DDOU to Hill AFB. We reviewed architectural drawings and floor plans of existing space, correspondence, cost data, facility planning documents, historical and projected work load, project proposals, and available supporting information used to justify the project. We reviewed documentation dating from May 1994 to March 1996. We did not use computer-processed data or statistical sampling procedures to conduct this audit. See Enclosure 1 for additional information on the overall scope of the audit of BRAC MILCON costs.

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from January through March 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Enclosure 4 lists the organizations visited or contacted during the audit.

Prior Audits and Other Reviews

Since 1991, numerous reports have addressed DoD BRAC issues. Enclosure 2 lists the DoD summary reports and reports issued since the most recent summary report.

Audit Background

DEPMEDS. The DEPMEDS are standardized modular field hospitals used by Military Departments that can be prepositioned in the event of a contingency, national emergency, or war operations. In December 1986, the Department of the Army entered into a Memorandum of Understanding with DLA to provide for the receipt, assembly, quality assurance, and shipment or storage of DEPMEDS. DEPMEDS are generally stored, shipped, and assembled using International Standardization Organization and military shipping containers. The International Standardization Organization shipping containers are used in DEPMEDS as self-contained hospital facilities such as surgery, radiology, and pharmacy clinics. Military shipping containers store supplies to be used in the hospitals. Depending on the mission, the size of the DEPMEDS can vary. However, a typical Army DEPMEDS has about 50 to 80 containers.

The DLA is continually upgrading, replacing, and revitalizing 75 Army DEPMEDS. Of the 75 DEPMEDS, 36 are reserve hospitals being stored at DDOU. The remaining 39 are used by active Army units or are pre-positioned as part of war reserve material.

Decision to Close DDOU. The 1995 Commission on Defense Base Closure and Realignment (the Commission) recommended closing DDOU, except the land and facilities needed to support a Reserve component enclave. Based on input from the Army, DLA decided to relocate the DEPMEDS mission to Hill AFB, about 20 miles from DDOU. DLA occupies 10 buildings at Hill AFB, totaling about 2.4 million gross square feet of warehouse space.

In December 1994, in response to the 1995 BRAC data call, the Commanders, DDOU and DLA Western Distribution Region, estimated BRAC MILCON costs of about \$43 million to relocate the DEPMEDS mission. However, DLA Headquarters believed that there was sufficient space at Hill AFB and did not report any BRAC MILCON costs to the Commission. Although DLA did not submit a cost estimate to the Commission in response to the data call, it did include a BRAC MILCON project in its FY 1997 BRAC budget submission.

DLA Project DDRWBRAC. The DLA FY 1997 BRAC budget submission in September 1995 included project DDRWBRAC to modify two buildings at Hill AFB at a cost of \$12.6 million. The BRAC MILCON project included modification of 440,000 gross square feet of operational and storage space in buildings 830 and 840. It also provided 311,000 square yards of outside storage for DEPMEDS containers.

Discussion

The DLA did not adequately support project DDRWBRAC for the relocation of the DEPMEDS mission. Although DLA included project DDRWBRAC in its budget submission, it did not perform an economic analysis to support the project. Additionally, the project scope changed significantly from the \$12.6 million estimate included in the September 1995 BRAC budget submission.

Economic Analysis for Project DDRWBRAC. The DLA had not prepared an economic analysis to support project DDRWBRAC. DoD 7000.14-R, "Financial Management Regulation, Volume 2B, Budget Presentation and Formulation," May 1994, requires DoD Components to prepare an economic analysis to support all new construction or renovation projects estimated to cost over \$2 million. The economic analysis identifies costs and benefits of all alternatives to MILCON. In addition to not preparing an economic analysis, DLA had no other documentation to adequately support the consideration of other alternatives to project DDRWBRAC.

Changes to Project Scope. Current DLA proposals would significantly change the cost and scope of the DEPMEDS project. As of March 1996, DLA was considering constructing a new operational facility and improving an outside storage area for the DEPMEDS mission at a total cost of about \$41 million. DLA was also exploring the options of privatizing the DEPMEDS mission or moving the mission to another depot. However, according to DLA representatives, neither option was likely because of perceived cost increases associated with privatization and the loss of trained operating personnel at other

depots. Because of potential scope changes to the project, DLA needed to finalize its requirements and resubmit DD Form 1391, "Military Project Construction Data."

Conclusion. The DLA did not adequately support project DDRWBRAC. In February 1996, we informed DLA personnel that we intended to recommend that the project be withdrawn and resubmitted in a future BRAC budget submission. In March 1996, DLA initiated action to withdraw the project from its FY 1997 BRAC budget submission. DoD can use the \$12.6 million of FY 1997 BRAC MILCON funds for other valid BRAC requirements (see Enclosure 3). This report contains no recommendations because of the DLA action to withdraw the project.

Management Comments

We provided a draft of this report to you on April 9, 1996. Because this report contains no recommendations, comments were not required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Michael A. Joseph, Audit Program Director, or Mr. Michael A. Yourey, Audit Project Manager, at (804) 766-2703. Enclosure 5 lists the report distribution. The audit team members are listed inside the back cover.



David K. Steensma
Deputy Assistant Inspector General
for Auditing

Enclosures

Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1997 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1997 BRAC MILCON \$820.8 million budget submitted by the Military Departments and the DLA. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. We also reviewed those FY 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.

Summary of Prior Audits and Other Reviews

Since 1991, numerous audit reports have addressed DoD BRAC issues. This enclosure lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports issued since the most recent summary report.

Inspector General, DoD

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-108	Defense Base Closure and Realignment Budget Data for the Naval Shipyard, Philadelphia, Pennsylvania	May 6, 1996
96-104	Defense Base Closure and Realignment Budget Data for the Construction of the Overwater Antenna Test Range Facility at Newport, Rhode Island	April 26, 1996
96-101	Defense Base Closure and Realignment Budget Data of Naval Air Station Barbers Point, Hawaii, and Realignment of P-3 Aircraft Squadrons to Naval Air Station Whidbey Island, Washington	April 26, 1996
96-093	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1995 and 1996	April 3, 1996
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
No recommendation made. Management took action to withdraw project during audit.	Economy and Efficiency. Withdraw project DDRWBRAC, "Medical Warehouse," valued at \$12.6 million, from the FY 1997 budget.	FY 1997 Base Closure Account funds of \$12.6 million put to better use.

Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC
Assistant Secretary of Defense (Health Affairs), Washington, DC
Defense Medical Facilities Office, Falls Church, VA
Office of the Health Services Analysis and Management, Falls Church, VA

Department of the Army

Army Medical Research and Materiel Command, Fort Detrick, MD
Army Medical Materiel Agency, Fort Detrick, MD

Department of the Air Force

Hill Air Force Base, UT

Other Defense Organizations

Defense Logistics Agency, Fort Belvoir, VA
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House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Honorable Robert F. Bennett, U.S. Senate
Honorable Orrin G. Hatch, U.S. Senate
Honorable James V. Hansen, U.S. House of Representatives

Audit Team Members

This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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